

Health Care Financing Administration
Special Terms and Conditions

Awardee: California Department of Health Services
Title: Medicaid Demonstration Project for Family Planning, Access, Care and Treatment Program (PACT)

Financial Issues

1.
 - a. All requirements of the Medicaid program expressed in law not expressly waived or identified **as** not applicable in the award letter of which these terms and conditions are part, will apply to California's Family PACT program. To the extent the enforcement of such laws, regulations, and policy statements would have affected State spending without the demonstration in ways not explicitly anticipated in this agreement, HCFA will incorporate such effects into a modified budget limit for the Family PACT 1115 program. The modified budget limit would be effective upon enforcement of the law, regulation, or policy statement. HCFA will have two years after the determination of the demonstration award date to notify the State that it intends to take action. If the law, regulation, or policy statement cannot be linked specifically with program components that are or are not affected by the Family PACT 1115 demonstration (e.g., all disallowances involving provider taxes or donations), the effect of enforcement on the State's budget limit will be proportional to the size of the Family PACT 1115 demonstration in comparison to the State's entire Medicaid program (**as** measured in aggregate medical assistance payments).
 - b. The State will, within the time specified in law, come into compliance with any changes in Federal law affecting the Medicaid programs that occur after the award date of the demonstration. To the extent that **a** change in Federal law, which does not exempt State section 1115 demonstrations, would affect State Medicaid spending without the demonstration, HCFA will incorporate such changes into a modified budget limit for the Family PACT 1115 demonstration. The modified budget limit will be effective upon implementation of the change in Federal law, **as** specified in law. If the new law cannot be linked specifically with program components that are or are not affected by the Family PACT 1115 demonstration (e.g., laws affecting sources of Medicaid funding), the State will submit its methodology to HCFA for complying with the change in law. If the methodology is consistent with Federal law and in accordance with Federal projections of the budgetary effects of the new law in California, HCFA

would approve the methodology. Should HCFA and the State, working in good faith to ensure State flexibility, fail to develop within 90 days a methodology to revise the without demonstration baseline that is consistent with Federal law and in accordance with Federal budgetary projections, a reduction in Federal payments will be made according to the method applied in non-demonstration States.

- c. The State may submit to HCFA a request for an amendment to the Family PACT demonstration to request exemption from changes in law occurring after the award date of the demonstration. The cost to the Federal government of such an amendment must be offset to ensure that total projected expenditures under a modified Family PACT 1115 demonstration program do not exceed projected expenditures without the Family PACT 1115 demonstration (assuming full compliance with the change in law).
- d. Budget Neutrality Monitoring Procedures (See Attachment A).

2. The following financial reporting procedures must be adhered to:

- a. To track expenditures under this demonstration, California will report net expenditures in the same manner **as** is done under the current Medicaid program. The State will provide quarterly expenditure reports using the form HCFA-64 to separately report expenditures for those receiving services under the Medicaid program and those participating in the demonstration. HCFA will provide Federal Financial Participation (FFP) only for allowable demonstration expenditures that do not exceed the predefined limits **as** specified in Attachment A. Demonstration participants include all individuals who obtain one or more family planning services through the demonstration.
- b. California will report demonstration expenditures **through** the Medicaid Budget Expenditure System (MBES), following routine HCFA-64 reporting instructions outlined in Section 2500 of the State Medicaid Manual. In this regard, demonstration expenditures will be differentiated from other Medicaid expenditures by identifying on forms HCFA-64.9 and/or 64.9p, the demonstration project number assigned by HCFA (including the project number extension, which indicate the demonstration year in which services were rendered). For monitoring purposes, cost settlements must be reported **as** line 7 or 10B adjustments **as** appropriate.
- c. The Federal share for demonstration expenditures matched at the State's regular match rate should be reported using column (B) of HCFA Form

64.9 and in column (D) for services eligible for the family planning match rate of 90 percent.

- d. All claims for California's Family Planning services provided during the demonstration period (including any cost settlements) must be made within two years after the calendar quarter in which the State made the expenditures. During the period following the conclusion or termination of the demonstration, the State must continue to separately identify demonstration expenditures using the procedures outlined above.
 - e. The State will provide to HCFA, on a quarterly basis, the number of eligible member/months for demonstration women. This information should be provided to HCFA with the quarterly reports.
 - f. Administrative costs will not be included in budget neutrality, however, the State must separately track and report administrative costs attributable to the demonstration on the HCFA-64, form 64.10.
 - g. The State will provide to HCFA, on a yearly basis, the average cost of a birth. The cost of a birth includes prenatal services, delivery and pregnancy related services and the first year of life for the child. (The services should be limited to the services that are available to women that are eligible for Medicaid because of their pregnancy.)
 - h. The State will submit to HCFA, on yearly basis, the number of actual births that occur to demonstration participants.
3. The standard Medicaid funding process will be used during the demonstration. The State must estimate matchable California Medicaid demonstration expenditures on the quarterly form HCFA-37. The State must provide supplemental schedules that clearly distinguish between demonstration expenditure estimates (by major component) and non-demonstration Medicaid expenditure estimates. HCFA will make Federal **funds** available each quarter based upon the State's estimates, **as** approved by HCFA. Within 30 days after the end of each quarter, the State must submit the form HCFA-64 quarterly Medicaid expenditure report, showing Medicaid expenditures made in the quarter just ended. HCFA will reconcile expenditures reported on the Form HCFA-64 with Federal funding previously made available to the State for that quarter, and include the reconciling adjustment in a separate grant award to the State.
4. HCFA will provide FFP at the regular Federal matching rate for administrative costs associated with California's Family PACT program in accordance with the

approved State plan.

5. The State will certify State/local monies used as matching funds for demonstration purposes and will further certify that such funds will not be used as matching funds for any other Federal grant or contract, except **as** permitted by Federal law.
6. FFP for services (including prescriptions) provided to men and women under Family PACT will be available at the following rates:
 - a. For services whose primary purpose is family planning (determining family size) and which are provided in a family planning setting, FFP will be available at the **90** percent matching rate. Procedure codes for office visits, laboratory and other tests and procedures must carry a diagnosis code that specifically identifies them **as** a family planning service. Procedures and services eligible for the 90 percent match are described in HCFA's **9/8/97** guidance.
 - b. For medical diagnosis or treatment services that are provided ancillary to a family planning service in a family planning setting -- specifically, follow-up diagnostic tests, treatment for sexually transmitted infections (STIs) and complication services -- and which carry a diagnosis code which indicates that they are related to a family planning service, FFP will be available at the FMAP rate. "Family planning setting" excludes inpatient hospital.
 - c. FFP will not be available for the costs of any services, items or procedures that do not meet the requirements specified above, even if they are provided by family planning clinics or providers.
 - d. For example, in the instance of testing for STI **as** part of a family planning visit, the match rate would be **90** percent. The match rate for the subsequent treatment would be the regular FMAP rate. For testing or treatment not associated with a family planning visit, no match would be available.
 - e. The State will submit for approval a list of services, and the accompanying Federal match rates **as** described above, to be provided to Family PACT enrollees.

Administrative Issues

7. Outreach performed by the Medicaid agency or other entities under contract to the Medicaid agency will be claimed at the regular administrative match.
8. The awardee will develop and submit detailed plans to protect the confidentiality of all project-related information that identifies individuals. The plan must specify

that such information is confidential and it may not be disclosed directly or indirectly except for purposes directly connected with the conduct of the project, and that written informed consent of the individual must be obtained for any disclosure. The plans shall be submitted within 90 days of award.

9. The awardee will submit narrative progress reports 30 days from the end of each quarter. The format for the progress reports will be agreed prior to the submission of the first report. The fourth quarterly report will summarize the preceding year's activity and serve as the annual report. The annual report will be due 90 days from the end of the fourth quarter of each project year.
 10. California should submit a draft final report to the **HCFA** project officer for comments. The awardee should consider **HCFA's** comments for incorporation into the final report. The final report is due 90 days after the end of the project.
 11. The final report of the project may not be released or published without permission from the **HCFA** project officer within the first four months following the receipt of the report by the **HCFA** project officer. The final report will contain a disclaimer that the opinions expressed are those of the awardee and do not necessarily reflect the opinions of **HCFA**.
 12. California will notify the **HCFA** project officer before formal presentation of any report or statistical or analytical material based on information obtained through this cooperative agreement. Formal presentation includes papers, articles, professional publications, speeches and testimony. During this research, whenever the principal investigator determines that a significant new finding has been developed, he or she will immediately communicate it to the **HCFA** project officer before formal dissemination to the general public.
 13. The awardee will assume responsibility for the accuracy and completeness of the information contained in all technical documents and reports submitted. The **HCFA** project officer will not direct the interpretation of the data in preparing these documents and reports.
 14. **HCFA** may suspend or end any project in whole, or in part, anytime before the date of expiration, whenever it determines that the awardee has materially failed to comply with the terms of the project. **HCFA** will promptly notify the awardee in writing of the determination and the reasons for the suspension or termination, with the effective date. The budget neutrality test will be applied on the time period through termination without adjustment.
 15. **HCFA** reserves the right to unilaterally terminate the demonstration and the
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accompanying federal matching authority if HCFA determines that continuing the demonstrations would no longer be in the public interest. If a family planning demonstration is terminated by HCFA, the State will be liable for cumulative costs under the demonstration that are in excess of the cumulative target expenditures specified in the Expenditure Review section of Attachment A for the demonstration year of withdrawal.

16. After waivers are granted, HCFA reserves the right to withdraw them if agreement cannot be reached on any item(s) cited in this document. The State also has the same right.
17. At any phase of the project, including at the project's conclusion, the awardee, if so requested by the project officer, must submit to HCFA analytic data file(s), with appropriate documentation, representing the data developed/used in end-product analyses generated under the award. The analytic file(s) may include primary data collected or generated under the award and/or data furnished by HCFA. The content, format, documentation, and schedule for production of the data file(s) will be agreed upon by the principal investigator and the HCFA project officer. The negotiated format(s) could include both file(s) that would be limited to HCFA internal use and file(s) that HCFA could make available to the general public.
18. At any phase of the project, including the project's conclusion, the awardee, if so requested by the project officer, must deliver any materials, systems, or other items developed, refined or enhanced during or under the award to HCFA. The awardee agrees that HCFA will have royalty-free, nonexclusive and irrevocable rights to reproduce, publish or otherwise use and authorize others to use the items for Federal Government purposes.
19. The awardee will cooperate fully with HCFA or the independent evaluator, selected by HCFA, to assess the impact **of** the Medicaid demonstrations. The awardee will submit the required data to ~~the~~ contractor or HCFA.
20. Failure to operate the demonstration **as** approved and according to Federal and State statutes and regulations will result in withdrawal of waivers. The Federal statutes and regulations with which the State must comply in the operation of the demonstration include civil rights statutes and regulations that prohibit discrimination on the basis of race, color, national origin, disability, sex, age ,and religion, including Title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, Title II of the Americans with Disabilities Act, and the nondiscrimination provisions of the Omnibus Budget Reconciliation Act of 1980.

21. An evaluation design report must be submitted to HCFA for approval **120** days from award. At a minimum the evaluation design should include a detailed analysis plan that describes how the effects of the demonstration will be isolated from those other initiatives occurring in the State. The report should also include an integrated presentation and discussion of the specific hypotheses (including those that focus specifically on the target population for the demonstration) that are being tested. The report will also discuss the outcome measures that will be used in evaluating the impact of the demonstration, particularly among the target population. It will also discuss the data sources for assessing these outcomes.
 22. A phase-out plan for the demonstration needs to be submitted for approval to HCFA within **90** days of award. The phase out plan must incorporate the fact that the State is responsible for informing enrollees of the fact that the demonstration will end in **2004**.
 23. Within 120 days from award, the State will submit for approval a description of how State employees will conduct final eligibility determinations, including a **timeframe** for completion (of no longer than **9** months) by which the State will have its eligibility determination system operational.
 24. Until the State has modified its eligibility system to accurately verify the eligibility of program applicants pursuant to The Personal Responsibility and Work Opportunity Reconciliation Act of **1996** (PRWORA), **13.95** percent will be deducted from the total expenditures being claimed for Federal match in order to account for individuals being served who are not eligible under the law.
 25. A detailed beneficiary and provider education and outreach plan needs to be submitted to HCFA for approval **90** days from award. At a **minimum**, the plan should describe efforts to inform eligible individuals (especially those who are not already in contact with providers) about the availability of and how to apply for Medicaid eligibility for family planning services. It should also describe activities to educate and train providers about the program.
 26. Within **90** days from award, the State shall submit a detailed implementation schedule.
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Monitoring Budget Neutrality for the California Family PACT Program

Following is the method by which budget neutrality will be monitored for California's Medicaid Demonstration Project for Family Planning, Access, Care and Treatment Program (PACT).

California will be subject to a limit on the amount of Federal Title XIX funding it will receive for extending Medicaid eligibility for family planning services during the demonstration period. This limit will be determined using a pre-post comparison of fertility rates for demonstration participants. Thus, California will be at risk for the cost of family planning services (including traditional family planning services at the enhanced match rate and ancillary services described in term and condition 6(b) at the FMAP rate) that are not offset by the demonstration intervention, which aims to reduce unintended pregnancies among families whose income is up to 200 percent of the Federal poverty level. The demonstration will not change the current division of Federal and State responsibility for costs of the current Medicaid program that are not related to family planning expenditures. HCFA will confirm that the demonstration expenditures do not exceed the levels that would have been realized had there been no demonstration.

Annual Budget Limits

To calculate the overall expenditure limit for the demonstration, separate budget limits will be calculated for each year, which will be on a Demonstration Year (DY) basis. These annual estimates will then be added to obtain an expenditure estimate over the entire demonstration period. The Federal share of the estimate will represent the maximum amount of Federal Financial Participation (FFP) that the State can receive during the expanded family planning services demonstration. For each DY, the Federal share will be calculated using the Federal Medical Assistance Percentage (FMAP) rate(s) for that 12 month period.

The intent of the demonstration is to avert unplanned or mistimed pregnancies to offset the cost of family planning services for demonstration participants. During each year of the demonstration, the number of births averted (BA) will be estimated by the following equation:

$$BA = (\text{base year fertility rate} - \text{fertility rate of demonstration participants during DY}) \times (\text{Number of demonstration women during DY}),$$

where fertility rates will be measured per thousand. The base year fertility rate will be adjusted for age and ethnicity, using the age and ethnicity distribution of the actual demonstration participants and predetermined age- and ethnicity-specific fertility rates. Participants include all women who obtain one or more family planning service(s) through the demonstration.

The average cost of a birth (BC) during each year of the demonstration will be the following:

$$BC = (\text{cost of prenatal services} + \text{delivery and pregnancy related costs} + \text{first year of life cost of infants}) / \text{number of deliveries},$$

where the costs and number of deliveries are for California's Medicaid program.

The annual budget limit will be the savings that are calculated by multiplying the number of births averted by the average cost of a birth.

Base-Year Fertility Rate

The State will submit to HCFA base-year fertility rates and a methodology for calculating the fertility rates. Preliminary base-year fertility rates must be submitted for approval within the first operational year of the demonstration and conform to the following requirements:

- a. They must reflect fertility rates and unfulfilled pregnancies during State Fiscal Year 1998 (July 1, 1997 - June 30, 1998) for women in families with income up to 200 percent of the Federal poverty level and ineligible for Medicaid except for pregnancy.
- b. They must be adjusted for age and ethnicity for all potential demonstration participants.
- c. The fertility rates will include births paid for by Medicaid and estimates of unfulfilled pregnancies.

The State will be allowed up to 3 years to finalize these preliminary rates. Following the conclusion of each year of the demonstration, a base year fertility rate will be determined by summing the age- and ethnicity-specific rates using the age and ethnicity distribution of the demonstration participants during that DY to weight the age- and ethnicity-specific fertility rates, unless the State demonstrates that the age and ethnicity distribution is consistent with prior demonstration year(s). The annual age and ethnicity distribution categories will correspond with the base-year age- and ethnicity-specific fertility rates.

How the Budget Limit Will Be Applied

The budget limit calculated above will apply to expanded family planning services expenditures, as reported by the State on the HCFA 64s. If at the end of the demonstration period, the costs of the expanded family planning services exceed the budget limit, the excess Federal funds will be returned to HCFA.

Expenditure Review

HCFA will enforce budget neutrality over the life of the demonstration, rather than annually. However, no later than six months after the end of each demonstration year, the State will calculate annual expenditure targets for the completed year. This amount will be compared with the actual claimed FFP for Medicaid. Using the schedule below as a guide, if the State exceeds these targets they will submit a corrective action plan to HCFA for approval. The State will subsequently implement the approved program.

<u>Year</u>	<u>Cumulative Target Expenditures</u>	<u>Percentage</u>
Year 1	Year 1 budget limit	+16 percent
Year 2	Years 1 and 2 combined budget limit	+8 percent
Year 3	Years 1 through 3 combined budget limit	+4 percent
Year 4	Years 1 through 4 combined budget limit	+2 percent
Year 5	Years 1 through 5 combined budget limit	0 percent

The State, whenever it determines that the demonstration is not budget neutral or is informed by HCFA that the demonstration is not budget neutral, shall immediately collaborate with HCFA on corrective actions, which shall include submitting a corrective action plan to HCFA within 21 days of the date the State has been informed of the problem. While HCFA will aggressively pursue corrective actions with the State, HCFA would work with the State to set reasonable goals that would ensure that the State is in compliance by the end of year 5, and if necessary to reach consensus with the State on the amount the State is over the budget for the 5-year operational period.
